

# FDIC State Profile

Fall 2004

## Maine

Maine's economy continued to improve as measured by the unemployment rate.

- The unemployment rate in Maine has declined sharply this year and as of July stood at 4.2 percent seasonally adjusted (See Chart 1), its lowest level in three years.
- By comparison, the unemployment rate had been as high as 5.2 percent at year end 2003 and as low as 3.1 percent in the second-half of 2000 and into 2001.
- Since 2000, the unemployment rate in Maine has been well below the national average.

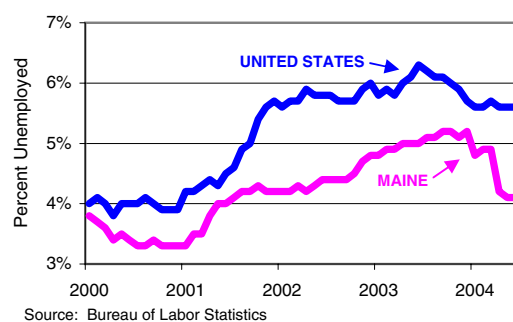
Maine had slightly slower growth in its labor force than the United States as a whole and moderately lower unemployment.

- Maine's 1.19 percent average annual rate of growth in the labor force over the past 20 years was slightly below the nation's average of 1.30 percent (See Chart 2). In contrast, the state's 5.26 percent average unemployment rate for the same period was considerably better than the national average of 5.83 percent.
- When the average labor force growth rate and average unemployment rate are combined into one measure<sup>1</sup> they tend to indicate that Maine's economy has performed better than the nation over the past 20 years.
- The mapping of this labor market performance measure for individual counties in the state indicates that Maine has varied greatly in its performance relative to the nation (See Map 1). Northern Maine clearly has lagged in performance, while southern Maine has outperformed both state and national measures.

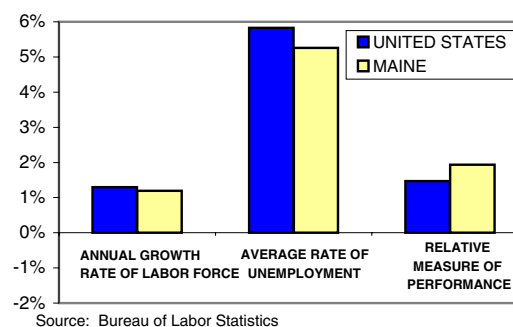
Profitability continues, but earnings show pressure from low interest rates and reduced gains on securities.

- Maine's insured institutions remain profitable. Net interest income continued to decline in the historically low interest rate environment. Gains on the sale of securities, which has boosted the bottom line through 2003, also declined in the first half of 2004. Earnings received a boost

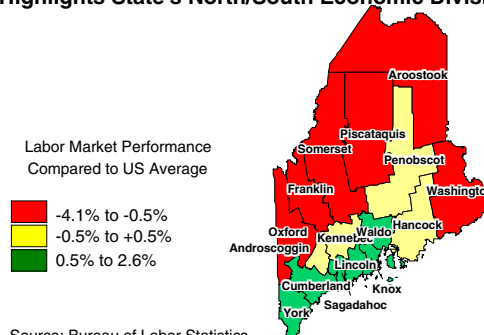
**Chart 1: The Unemployment Rate in Maine Remains Well Below the Nation**



**Chart 2: In Spite of Slightly Lower Labor Force Growth, Maine's Labor Markets Performed Well**



**Map 1: County Labor Market Performance Highlights State's North/South Economic Division**



<sup>1</sup>The labor market performance measure is the sum of the average annual growth in the labor force and the difference between the average unemployment rate and 6.00 percent.

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from an improvement in operating efficiencies as noninterest expenses declined.

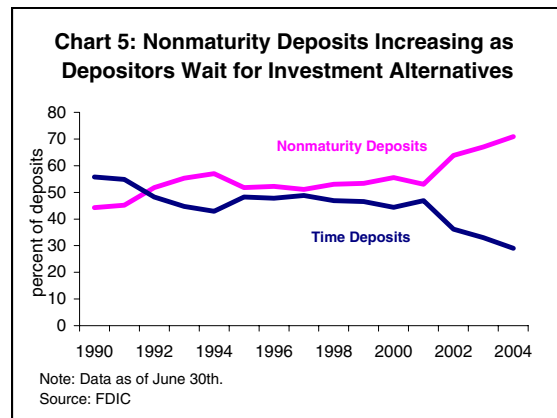
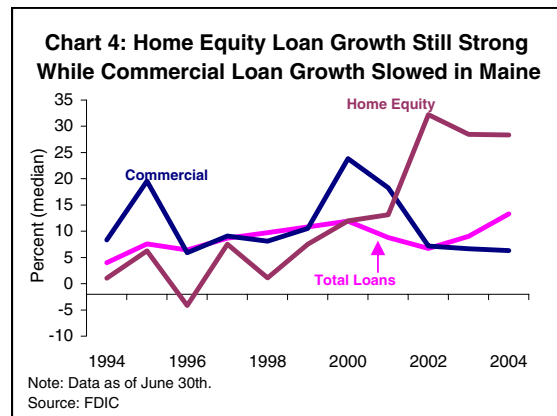
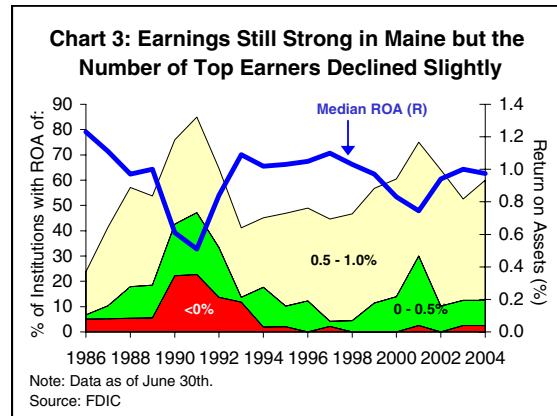
- In the first half of 2004, only 35 percent of insured institutions reported an increase in ROA compared to 75 percent in the first half of 2003 and 69 percent in the first half of 2002. The number of institutions reporting ROA between 0.5 percent and 1.0 percent increased from 40 percent of institutions in 2003 to 48 percent in 2004 as insured institution ROA declined from levels above 1.0 percent. The number of institutions with ROA below 0.5 percent has remained stable (See Chart 3).

### Loan growth strong in Maine as home equity loan growth continues to be robust.

- The median growth rate for total loans in Maine was just over 13 percent as of June 30, 2004. Commercial loan growth slowed to the lowest level since 1996. Consistent with the strong housing market, home equity loans posted robust growth for the fifth year in a row (See Chart 4).
- In addition to the strong growth of home equity loans outstanding, unfunded commitments have also increased as rapidly. As of June 30, 2004, the median growth rate of unfunded commitments on home equity loans was 30 percent, and the growth rate has been near 30 percent for the last three years. Unfunded commercial loan commitments declined sharply in the last year as commercial loan growth began to slow.

### Nonmaturity deposits increase in Maine as long-term assets continue to rise.

- Nonmaturity deposits<sup>2</sup> represented almost 71 percent of total domestic deposits in Maine's insured institutions<sup>3</sup> as of June 30, 2004. The ratio has risen during the low interest rate environment because depositors are maintaining liquidity in nonmaturity deposits while waiting for better investment alternatives (See Chart 5).
- As of June 30, 2004, strong long-term asset growth continued with a median growth rate of 11 percent. The median ratio of long-term assets to assets now stands at 33 percent. Some insured institutions may be faced with a mismatch of asset and liability repricing as interest rates rise.



<sup>2</sup>Nonmaturity deposits include transaction accounts, savings and money market deposit accounts.

<sup>3</sup>Call filers only.

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### Maine at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	40	40	39	40	43
Total Assets (in thousands)	44,836,836	38,931,665	33,542,467	15,484,290	16,467,408
New Institutions (# < 3 years)	1	1	0	0	0
New Institutions (# < 9 years)	1	2	1	2	3
Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	9.34	8.88	8.66	9.14	9.20
Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	1.05%	1.49%	1.47%	2.00%	2.04%
Past-Due and Nonaccrual >= 5%	0	1	1	2	2
ALLL/Total Loans (median %)	1.16%	1.18%	1.17%	1.16%	1.12%
ALLL/Noncurrent Loans (median multiple)	2.74	2.13	2.31	1.25	1.54
Net Loan Losses/Loans (aggregate)	0.15%	0.20%	0.25%	0.22%	0.20%
Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	1	1	0	1	0
Percent Unprofitable	2.50%	2.50%	0.00%	2.50%	0.00%
Return on Assets (median %)	0.98	1.00	0.94	0.75	0.83
25th Percentile	0.71	0.71	0.59	0.48	0.59
Net Interest Margin (median %)	3.75%	3.96%	4.10%	3.94%	4.09%
Yield on Earning Assets (median)	5.47%	5.99%	6.82%	7.92%	7.98%
Cost of Funding Earning Assets (median)	1.71%	2.10%	2.71%	4.15%	4.04%
Provisions to Avg. Assets (median)	0.08%	0.13%	0.13%	0.16%	0.11%
Noninterest Income to Avg. Assets (median)	0.72%	0.67%	0.64%	0.58%	0.56%
Overhead to Avg. Assets (median)	2.92%	3.05%	3.04%	3.04%	2.96%
Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	102.20%	94.74%	94.88%	95.63%	97.34%
Loans to Assets (median %)	73.93%	70.33%	71.13%	71.74%	73.11%
Brokered Deposits (# of Institutions)	16	14	13	9	9
Bro. Deps./Assets (median for above inst.)	2.80%	2.93%	2.58%	2.75%	2.05%
Noncore Funding to Assets (median)	25.98%	22.24%	22.47%	22.73%	22.44%
Core Funding to Assets (median)	61.46%	65.44%	67.25%	67.09%	67.06%
Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	8	8	7	7	7
National	6	6	6	6	6
State Member	3	3	2	2	3
S&L	7	7	7	7	7
Savings Bank	2	2	2	2	4
Stock and Mutual SB	14	14	15	16	16
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	29	10,759,268	72.50%	24.00%	
Portland ME	4	30,209,997	10.00%	67.38%	
Lewiston-Auburn ME	4	1,292,299	10.00%	2.88%	
Bangor ME	3	2,575,272	7.50%	5.74%	